

Message Text

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TAGS: EAGR, EEC, IT

SUBJECT: ITALIAN REACTION TO EC PRICE DECISIONS

REF: EC BRUSSELS 02390

SUMMARY. AGMIN MARCORA AND MINAG OFFICIALS ARE RATHER SATISFIED WITH OUTCOME OF THE EC PRICE DECISION. IN GENERAL, MARCORA BELIEVES ITALY GOT "EQUAL TREATMENT" WITH OTHER PARTNERS IN PROTECTING SPECIFIC AGRICULTURAL PRODUCTS, NOTABLY WINE, OLIVE OIL, DURUM, AND CITRUS. A MINAG OFFICIAL TOLD EMBOFF MARCORA LESS PLEASED WITH DAIRY PRICE INCREASES, NFDN PROVISION AND THE LIMITED OFFICIAL USE

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AMOUNT OF CORN PRICE INCREASES. THE

PRESS HAS BEEN GENERALLY FAVORABLE, CITING MARCORA'S FIRM-
NESS. THE MOST IMPORTANT FARM ORGANIZATION, CONSISTING OF SMALL
FARMERS, PROFESSED ITSELF DISAPPOINTED WITH RESULTS, WHILE THE
LARGE SCALE FARM GROUP GENERALLY APPLAUDED MARCORA'S PERFORMANCE.
END SUMMARY.

1. AS A RESULT OF THE EC PRICE DECISIONS, ITALIAN AGRICULTURAL
PRODUCERS ARE EXPECTED TO REALIZE ABOUT A NET 13 PERCENT BOOST
TO INCOME, INCLUDING THE 5.6 PERCENT DEVALUATION OF THE GREEN
LIRA. CONSUMER PRICES ARE EXPECTED TO RISE ABOUT 2 PERCENT ON
AVERAGE AS A RESULT OF THE PRICE INCREASES. AGMIN MARCORA HAS
DECLARED THAT ITALY SOUGHT AND LARGELY RECEIVED "EQUAL TREAT-
MENT" FOR ITS MOST IMPORTANT PRODUCTS AND ORGED ITALIAN FARMERS
TO TAKE FULL ADVANTAGE OF THE POTENTIAL OF AGRICULTURAL PRODUCTION
IN ITALY.

2. ACCORDING TO DAL SASSO, DEPUTY DIRECTOR FOR AGRICULTURAL TRADE
POLICY, MINISTRY OF AGRICULTURE OFFICIALS ARE GENERALLY SATISFIED
WITH OUTCOME OF PRICE DECISIONS TAKEN IN BRUSSELS, ESPECIALLY FOR
WINE, OLIVE OIL, DURUM WHEAT, AND CITRUS. GUAZZARONI, DIRECTOR
GENERAL FOR ECONOMIC AFFAIRS, MINISTRY OF FOREIGN AFFAIRS,
TOLD ECOMIN HE THOUGHT MARCORA HAD BEEN
RATHER SUCCESSFUL UNDER THE CIRCUMSTANCES.

3. DAL SASSO COMMENTED TO EMBOFF ON THE VARIOUS COMMODITIES
INVOLVED. ON WINE, HE SAW THE PROBLEM AS HAVING ONLY BEEN TEM-
ORARILY RESOLVED, SINCE THE REAL PROBLEM, APART FROM THE FRENCH
TAX BEING ABOLISHED, WILL NOT BE SOLVED BY DISTILLATION OF 4
MILLION HECTOLITERS. FINANCIAL INCENTIVES TO GRAPE GROWERS TO
DIG UP THEIR VINES WILL HAVE TO BE CONTINUED OVER A NUMBER OF
YEARS, AND EVEN AT THAT, ALTERNATIVE CROP POSSIBILITIES FOR THE
REGIONS WHERE LOW QUALITY WINES ARE PRODUCED ARE FEW, IF ANY.
THERE IS NEVERTHELESS A SENSE OF RELIEF OVER REMOVAL, AT LEAST
FOR NOW, OF THIS IRRITANT IN FRENCH-ITALIAN RELATIONS. ON OLIVE
OIL, THE INTEGRATION PRICE FOR OLIVE OIL WILL RISE FROM 30,030
TO 36,300 LIRE/QUINTAL, COSTING THE FEOGA FUND 35 BILLION LIRE
IN 1976/77. CONSIDERING THE INITIAL MUCH LOWER COMMISSION PROPOSAL,
DAL SASSO REPORTS MINAG PLEASED WITH THE INCREASE. FOR DURUM
WHEAT, THE AREAS AND MANNER OF APPLICATION OF THE SUBSIDY
AGREED ON IS FELT TO HAVE
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BEEN AN ITALIAN VICTORY FOR PROECTING SMALLER FARMERS. ON CITRUS,
INCREASED PENETRATION PREMIUMS ARE CONSIDERED TO OFFER ITALY SOME
PROTECTION AGAINST EC MEDITERRANEAN PREFERENCES.

4. ON THE LESS POSITIVE SIDE, DAL SASSO REPORTS THAT THE ITALIANS
HAD BACKED THE COMMISSION'S MUCH LOWER DAIRY PRICE INCREASES
BUT CONSIDER FRANCE TO HAVE THE BIGGEST POLITICAL PROBLEMS IN
THAT SECTOR AND THUS ACCEDED TO THEIR WISHES FOR LARGER, FASTER

INCREASES. ON THE NONFAT DRY MILK MIXING REGULATION (SEPTEL) THE MEASURE IS CLEARLY CONTRARY TO ITALIAN INTERESTS BUT WAS USEFUL AS A BARGAINING CHIP. THE INCREASES IN FEEDGRAIN PRICES, MOST NOTABLY CORN, WERE OPPOSED BECAUSE OF INCREASED COST TO THE LIVESTOCK SECTOR. AFTER THE INCREASES GO INTO EFFECT, ACCORDING TO DAL SASSO, CORN THRESHOLD PRICE LEVELS WOULD ROUGHLY EQUAL PRESENT MARKET PRICES FOR IMPORTED CORN (BOTH AT ABOUT 12,500 LIRE/QUINTAL); THUS NEGATIVE EFFECT IS ONLY POTENTIAL AND WILL DEPEND ON WORLD PRICE LEVELS. THE EXTENSION OF 1.5 U.A. FEEDGRAIN LEVY DISCOUNT WAS RAISED BUT NOT PUSHED HARD BY THE ITALIAN DELEGATION DESPITE STRONG PRESSURE FROM THE NATIONAL ASSOCIATION OF CEREAL IMPORTERS, MAINLY BECAUSE THE ITALIANS FELT THEY HAD COMMITTED THEMSELVES PREVIOUSLY TO ITS ULTIMATE ELIMINATION.

5. PRESS ACCOUNTS HAVE BEEN GENERALLY FAVORABLE IN THE FINANCIAL PRESS AND MOST OTHER NON-COMMUNIST PAPERS. THE MOST WIDESPREAD OPINION WAS THAT AGMIN MARCORA HAD BEEN TOUGH IN DEFENDING ITALIAN INTERESTS. MARCORA IS REPORTED TO BE KNOWN AMONG HIS COLLEAGUES AS "THE MINISTER WHO POUNDS HIS FISTS ON THE TABLE". L'UNITA', THE COMMUNIST PARTY NEWSPAPER, HAS INSTEAD ASSAILED THE PRICE DECISIONS AS ADDING FURTHER FUEL TO INFLATION AND CONTINUING INEFFICIENT PRODUCTION. THE PAPER SPECIFICALLY ATTACKED THE QUOTA ON SUGAR FOR ITALY AS PREVENTING ITALIAN PRODUCTION FROM SATISFYING NATIONAL REQUIREMENTS. IT ALSO CRITICIZED ITALY FOR AGREEING TO ALLOW THE APPLICATION OF COMPENSATORY AMOUNTS, WHICH, WHILE REDUCED, WILL NEVERTHELESS PUT AGRICULTURAL EXPORTS AT A DISADVANTAGE.

6. THE NATIONAL UNION OF WINE PRODUCERS HAS ISSUED A STATEMENT CRITICIZING THE WINE MEASURES AGREED UPON AS ONE AGAIN FOCUSING ONLY ON THE PROBLEMS OF GETTING RID OF THE PRESENT SURPLUSES AND NOT REVISING THE BASIC WINE REGULATION TO BENEFIT LIMITED OFFICIAL USE

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THE WINE INDUSTRY. THE OLIVE GROWERS ASSOCIATION, CRITICIZING THE OLIVE OIL SUBSIDIES AS INADEQUATE, HAS CALLED ON MARCORA TO SPEED UP PREMIUM PAYMENTS AND TO BLOCK TEMPORARILY OLIVE OIL IMPORTS FROM THIRD COUNTRIES.

7. COLTIVATORI DIRETTI, THE LARGEST FARM ORGANIZATION, CONSISTING OF MOSTLY SMALL FARMERS AND ALLIED WITH THE CHRISTIAN DEMOCRATS, HAS JOINED SEVERAL PRODUCER ASSOCIATIONS IN CRITICIZING THE DECISIONS. THEY GENERALLY OPPOSED THE CONTINUATION OF COMPENSATORY AMOUNTS AND CALLED FOR HIGH PREMIUMS AND SUBSIDIES. CONFAGRICOLTURA, THE FEDERATION OF LARGE SCALE FARMERS, ON THE OTHER HAND, HAS LARGELY BACKED MARCORA AS HAVING ATTAINED THE POSSIBLE. ALLEANZA CONTADINI, THE MOST LEFTIST GROUP, REFERRED TO QTE THE ANNUAL RITUAL OF HORSE TRADING UNQTE, WHICH IT SAID WAS CLEAR PROOF OF THE FAILURE OF EC AGRICULTURAL POLICY TO MAKE

COHERENT LONG-TERM DECISIONS WHICH WOULD IMPROVE EFFICIENCY AND
BENEFIT FARMERS. SOMEWHAT CONTRADICTIONILY, THE ORGANIZATION
CONSIDERED THAT ITALY HAD NOT OBTAINED SUFFICIENTLY HIGHER
SUBSIDIES FOR OLIVE OIL AND DURUM.VOLPE

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